



Environmental Services Division
Energy and Waste Management Bureau

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Contact: Jim Bodensteiner (515) 281-8416
Tami Foster (515) 281-6558

GASOLINE PRICES DROP DRAMATICALLY ACROSS THE U.S.
SOME AREAS OF IOWA SEE PRICES BELOW \$2 PER GALLON

DES MOINES – Strong supplies, slowed demand and a perceived reduction in threats to global supply have combined to bring the recent sharp drop in gasoline prices across Iowa. In some areas of the state, unleaded gasoline blended with ethanol was priced at less than \$2.00 per gallon.

Nationally, the U.S. average retail price for regular unleaded gasoline fell 54 cents per gallon in six weeks, including a 12-cent decline in the past week. This is the second-largest uninterrupted decline, trailing only last year's nine-week, 78-cent drop after Hurricane Rita.

"Crude oil prices are driven by the global balance between supply and demand and are often influenced by geopolitical or natural events," said Tami Foster, energy data analyst for the DNR.

The end of the summer driving season, a milder-than-expected hurricane season and reduced geopolitical tensions have contributed to bringing prices down. In addition, crude oil and gasoline inventories are significantly higher than this time last year.

So how low will prices go?

"The national average is expected to be about \$2.25 per gallon in the near future," said Foster.
"However, prices here in Iowa could hover in the \$2.00-\$2.20 range barring any supply disruptions."

Foster explained that any further major drop in gasoline prices would require an additional significant drop in crude oil prices. U.S. Department of Energy analysts do not anticipate that happening as crude oil is used to produce other products in addition to gasoline.

"Refineries are now focusing on output of refined products that will be in greater demand in the coming months, such as diesel fuel for fall harvest and the peak delivery season for the trucking industry, as well as heating fuels," said Foster.

Foster also pointed out that the federal mandate for ultra-low-sulfur diesel (ULSD), which goes into effect for retailers on Oct. 15, have helped keep prices high for diesel. The U. S. Environmental Protection Agency (EPA) mandated that the allowable sulfur content for ULSD be reduced from 500 parts per million to 15 parts per million effective June 1, 2006, for on-road diesel fuel. The EPA is also mandating the use of ULSD fuel in model year 2007 and newer diesel fuel engines designed for on-highway use. The EPA rule goes into effect for non-road, locomotive, and marine (NRLM) diesel fuel on June 1, 2007.

According to this month's gas prices survey, Iowa's statewide average for diesel was \$2.78, down 45 cents from last month's record high of \$3.23.

The reasons for the tight supply could involve difficulty in making ultra-low-sulfur diesel fuel at a particular refinery, issues with storage terminals as they draw down inventory levels of regular diesel fuel to make room for ultra-low-sulfur diesel fuel, and potential problems with the distribution of ultra-low-sulfur diesel fuel through pipeline systems.

Fuel prices are not regulated by state or federal laws, but companies are prohibited from joining together to set prices. Iowa retail prices react mainly to changes on the wholesale market, where oil, gasoline and diesel are traded as commodities. To limit the impact of high prices on their wallet, Iowa consumers can drive more efficiently, keep vehicles tuned up, and plan and combine trips. Consumers can also choose ethanol at the pump, purchase E-85 for flexible fuel vehicles and choose biodiesel blends for diesel vehicles. To help consumers improve fuel efficiency, the Iowa DNR has placed tips and information on fuel savings and alternative fuels on its Web site at www.iowadnr.com. For additional driving tips, visit www.fueleconomy.gov

Motor Fuels Survey State Average Price Per Gallon

Self-Serve	8/15/06	9/15/06	Difference
Regular Unleaded with 10% Ethanol	2.91	2.26	-0.65
Regular Unleaded	2.92	2.27	-0.65
Premium Unleaded	2.92	2.38	-0.54
Diesel	3.23	2.78	-0.45

Source: Oil Price Information Service, www.opisnet.com

10% Ethanol Average Retail Price Per Gallon -- Major Iowa Cities

	8/15/06	9/15/06	Difference
Ames	2.90	2.17	-0.73
Cedar Rapids	2.81	2.21	-0.60
Council Bluffs	2.85	2.17	-0.68
Davenport	2.97	2.24	-0.73
Des Moines	2.77	2.09	-0.68
Dubuque	2.90	2.31	-0.59
Fort Dodge	2.93	2.41	-0.52
Iowa City	2.91	2.31	-0.60
Sioux City	2.88	2.28	-0.60

Waterloo	2.87	2.19	-0.68
Webster City	3.03	2.38	-0.65
Average Metro Price	2.91	2.26	-0.65

Source: Oil Price Information Service, www.opisnet.com

Heating Fuels Survey

	8/21/06	9/18/06	Difference
Natural Gas	7.17 (8/23)	4.83 (9/20)	-2.34
Propane	1.50	1.49	-0.01
#2 Heating Oil	2.87	2.43	-0.44

Sources: Wall Street Journal, Iowa Department of Natural Resources